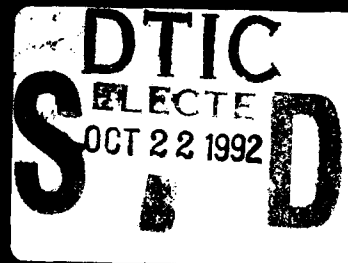


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A Strategic Planning Primer: Model, Methods, and Misunderstandings



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A Strategic Planning Primer: Models, Methods, and Misunderstandings

Nancy Natoli
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June 1992

Abstract

Strategic planning guides fundamental decisions and actions that shape an organization, its activities, and its purpose. Strategic planning has roots in many different disciplines, particularly military science, community planning, corporate planning, and budgeting and finance. Significant contributions have been made to the field from each of these disciplines. This primer summarizes some of the many different models and schools of thought on strategic planning. It sets forth some assumptions, guidelines, and axioms for an AEPI strategic planning model based on the Institute's experience. Finally, the primer provides some reflections on effectiveness criteria, process design concerns, and some common misunderstandings and misconceptions associated with a strategic planning process.

AEPI-PS-392

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The mission of the Army Environmental Policy Institute is to assist the Army Secretariat in developing proactive policies and strategies to address environmental issues that may have significant future impacts on the Army. This primer is published in an attempt to organize and codify the Institute's strategic planning experience, and to contribute to the field of knowledge on strategic planning.

The views presented in this document do not necessarily reflect the policies or views of the respective institutions of the contributors, reviewers, and staff.

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1. Introduction

The word strategy is derived from the Greek *strategos* referring to a military general and combines *stratos* (the Army) and *ago* (to lead) (Lykke, 1989).

Strategic planning is a disciplined and well defined organizational effort to define a long-term direction for change, and a short-term operating framework for addressing that change. It produces fundamental decisions and actions that shape and guide an organization, its activities, and its purpose (Bryson and Einsweiler, 1988). The process is also an educational device and an opportunity for multiple interactions and negotiations at all horizontal and vertical levels of an organization. The essence of planning is to organize major tasks to maintain operational efficiency and to guide the organization into the future. Strategic planning does this by providing a pattern for balancing past actions with intended future change.

Planning is a complex social activity that cannot be simply structured by rules of thumb or quantitative procedures. This paper attempts to bring together many of the different schools of thought on strategic planning, and to draw on the strategic planning experience at the Army Environmental Policy Institute (AEPI) to set forth some assumptions, guidelines, and axioms about strategic planning. The paper describes some of the major strategic planning models, explains and defines the major elements of a strategic plan, and gives some detail regarding effectiveness criteria and process design concerns.

2. Alternative Strategic Planning Models

One of the most significant benefits of strategic planning is to affect the way people perceive what the organization does, and especially how and why it does what it does. There are many different ways of describing the strategic planning activity, and various disciplines have developed their own unique models and vocabulary. For example, the strategic planning process has roots in many different areas, particularly budgeting and finance, corporate planning and military science. Each of these different areas contributes its own unique aspects to the strategic planning process and various strategic planning models. This chapter examines several different strategic planning models from the federal government, comprehensive planning, and corporate planning traditions. Each has several subsets of different variations on the theme. The essence of all is the same—but, each discipline emphasizes different aspects.

2.1 Government Planning Models

2.1.1 Budgeting and Finance

Some of the first examples of managerial planning arrangements are in budgeting and finance. This movement toward structured control and rational decision processes was introduced nearly fifty years ago. It is aimed at the efficient and effective use of financial resources based on needs, priorities, and projected available resources. It is a response to pressures for higher operational efficiency, better financial management, and resource control. This concept has been highly refined within federal government, particularly the Department of Defense (DoD). All planning in DoD is guided by a managerial budgeting and financial control system called the Planning, Programming, and Budgeting System (PPBS), introduced in the 1960s.

The Army's component of the PPBS is the Planning, Programming, Budgeting and Execution System (PPBES). The PPBES is described as the Army's primary resource management system. As such, it constitutes a major departmental decision making process. The PPBES is used to develop Army programs and to formulate and execute a budget to accomplish those programs. This includes:

- Requesting appropriate resources from Congress
- Determining manpower requirements for the entire Army program
- Allocating resources to specific purposes and timeframe.
- Monitoring application of approved resources for intended purposes
- Performing resource analysis and integration.

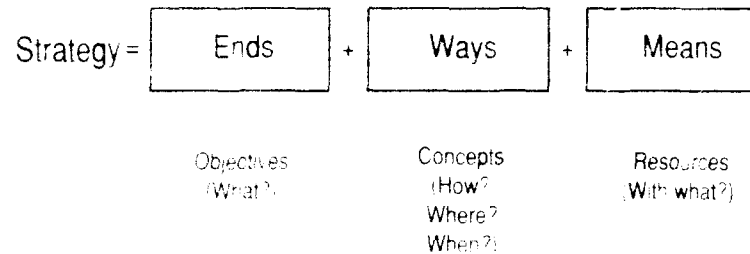
By institutionalizing a formal process such as the PPBES, the Army can ensure that critical issues are explicitly and consistently addressed.

2.1.2 Military Science

At the U.S. Army War College, strategic planning is taught in the context of military science and national security. According to the U.S. Joint Chiefs of Staff, military strategy is "the art and science of employing the armed forces of a nation to secure the objectives of national policy by the application of force or the threat of force." General Maxwell D. Taylor characterized strategy as consisting of ends, ways, and means (Lykke, 1989). At the War College, this is interpreted to mean that strategy is equal to the sum of **ends, ways, and means**, as shown in Figure 2-1. The War College acknowledges a political context and a national strategy that sets out some goals, objectives, and policies.

In this model, the **ends** are defined as the objectives toward which one strives. This addresses "what" is to be accomplished. Achieving the objectives would imply securing one or more of the stated overarching national security interests. The **ways** are concepts, or courses of action and methods for achieving the ends. The ways address "how" the stated objectives will be achieved. The ways are the creative input into linking and relating the objectives to be achieved to the available means (resources) with which to achieve them. The **means** are the resources and instruments (e.g., manpower, money, logistics, supplies) by which the ends are achieved.

Figure 2-1 Military Strategy



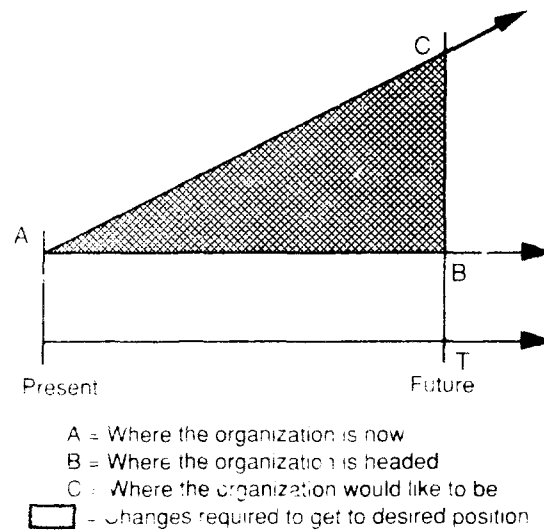
2.2 Comprehensive Planning

Comprehensive planning is the traditional city planning approach that dominated professional practice through the 1960s. Comprehensive planning includes a rational approach to systematically evaluate future alternatives. As subsets of the planning tradition, there are several other themes or models, including long-range planning, external scanning, and issues management.

2.2.1 Long Range Planning

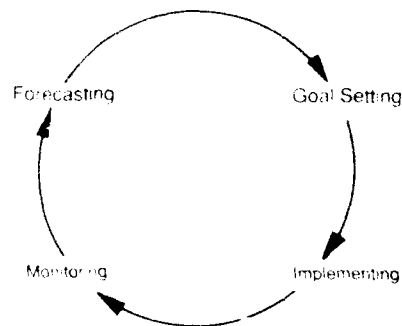
Long-range planning has its roots in comprehensive city and regional planning. It is typically an internal institutional approach assessing where the institution is, its direction, where it would like to be at some given future time, and what must change to gain that end, as displayed in Figure 2-2. The time horizon is generally not more than 20 years (Hack, 1988). Long-range planning is a comprehensive, organization wide effort to optimize current trends toward a desired future.

Figure 2-2 Long Range Planning Diagram



Long-range planning can also be characterized as a continuous process as displayed in Figure 2-3. This begins with monitoring trends, moves to extrapolating those trends into forecasts, and then setting and implementing goals in the context of those trends and forecasts. Periodically, the trends and forecasts must be reviewed, and goals modified based on the updated information.

Figure 2-3 Long Range Planning Process



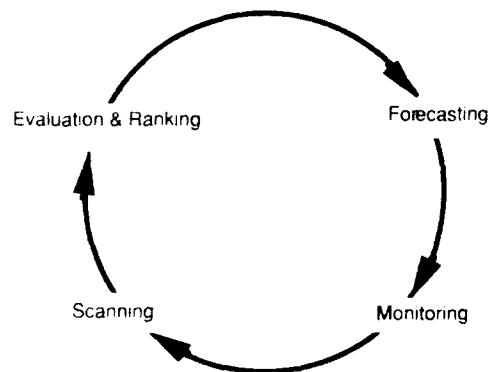
Source: Morrison et al

In the traditional sense, long-range planning assumes predictable trends, and does not account for factors external to the organization that may impact the organization's ability to reach its target goals within the specified time horizon.

2.2.2 Scenario-Based Planning

Scenario-based planning combines the long-range planning process described above with a similar cyclical process of external scanning. External scanning includes examining the external factors that may either hinder or assist in reaching the specified goals in the allotted time frame. Scenario-based planning facilitates any changes caused by the organization's external environment. Figure 2-4 displays the cyclical process of environmental scanning, to look at external events to the organization, develop trends based on past occurrences, forecast possible future scenarios, and rank them by relative possibility, and then to review how these scenarios may affect the organization's internal perspective on long-range planning (in terms of goal setting and implementing).

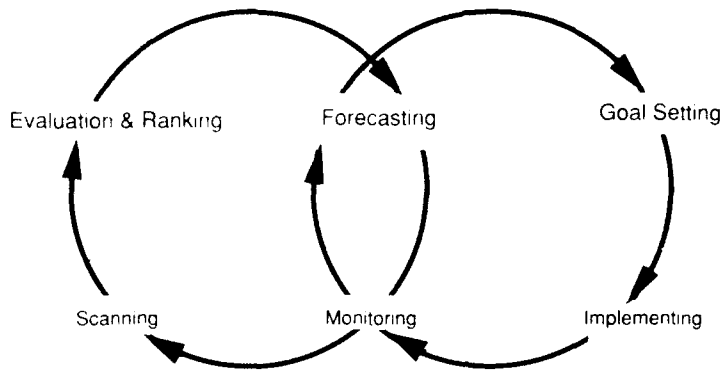
Figure 2-4 External Scanning



Source: Morrison et al.

When these two processes—internal long-range planning and the external environmental scanning—happen concurrently as displayed in Figure 2-5, they define the scenario-based strategic planning model (Morrison and Renfro, 1984).

Figure 2-5 Scenario-Based Strategic Planning

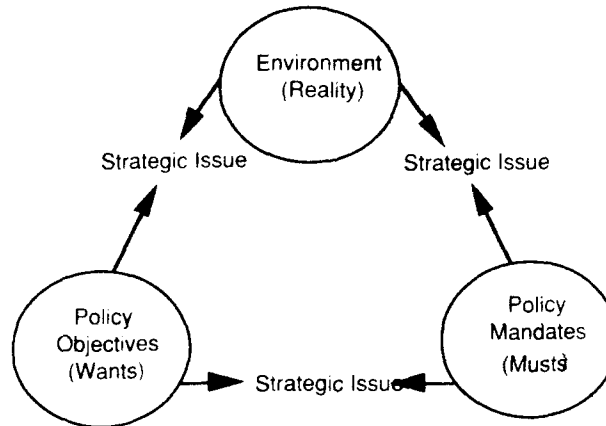


Source: Morrison et al.

2.2.3 Issues Management Approach

The issues management approach looks at three different givens: the organization's external environment, its policy objectives, and its policy mandates (Eckhert et al., 1988). The external environment defines the **reality** of the context in which the organization must operate. The organization's policy objectives are those things the organization **wants** to achieve. Its policy mandates are those things that it **must** achieve. At the intersections of each of these three areas are *strategic issues*, as demonstrated in Figure 2-6. Strategic issues are fundamental policy concerns that have long-term organizational implications. For example, the intersection of policy mandates with the reality of the external environment becomes a strategic issue. The intersection of policy mandates and the policy objectives becomes another strategic issue. The issues management approach to strategic planning consists of identifying strategic issues and then preparing and analyzing alternative strategies to address each of those issues. Finally, it includes developing plans to carry out those strategies.

Figure 2-6 Issues Management Approach



Source: Eckhart et al.

2.3 Corporate Strategic Planning

"Corporate strategy is the pattern of decisions that determines and reveals the firm's purpose, produces the principle policies and plans for achieving those goals, and defines the range of activities the organization is to pursue" (Hax and Majluf, 1984). Corporate strategy focuses resources to convey distinctive competencies into competitive advantages. There are numerous examples and models for corporate strategic planning. Two examples, the Harvard Policy Model and strategic management, are described here.

2.3.1 Harvard Policy Model

The Harvard Policy Model for strategic planning comes from the Harvard Business School policy group. The model has four components which focus on organizational strengths, weaknesses, opportunities, and threats, and is often summarized by the acronym SWOT. The thrust of this model is that strategy is an organization's response to its internal strengths and weaknesses, and also external opportunities and threats. This strategic model is designed to assist an organization in keeping a balance between its internal capabilities and its external environment (Hax, 1987).

2.3.2 Strategic Management

Strategic management, as an ongoing activity, is both a pragmatic and integrative approach to exploiting the new and different opportunities of the future. It provides managers with guidelines to manage strategic change, and serves to channel managerial tasks at different functional levels within the organization (Hax and Majluf, 1984). It acknowledges divergent points of view and provides a mechanism to coordinate a wide variety of disciplines. The primary tasks of strategic management are to understand the environment, define the organization's goals, identify options, make and implement decisions, and evaluate actual performance (Hax, 1987).

3. AEPI Strategic Planning Paradigm

Based on the three broad categories of planning traditions described in Chapter 2, and through its strategic planning experience, AEPI has developed a strategic planning paradigm. This paradigm is based on information from those theorists and traditions described in Chapter 2, and has been refined through AEPI's practical strategic planning experiences within the Army. This chapter characterizes some important aspects of a strategic planning process, and describes the basic elements of a strategic plan. These descriptions are based in theory and tradition, and have been tried and tested in the context of the U.S. Army.

3.1 Description and Definition

A strategic plan provides a unity of direction and a cohesive framework. It coordinates requirements with funding, and provides a total organizational approach. It must include an assessment of the organizational context, both internally and externally, an awareness of the future, and fundamental assumptions about organizational priorities. Strategic planning is a combination of a process and a product. An open, deliberate planning process must be used to develop a strategic plan as the desired product. One must be concerned with the process used to develop the plan, and also focused on arriving at a product. Together, the appropriate process and product will produce the desired results in providing a framework for an organization to think strategically and assert a proactive course for its future.

Strategic planning must be a careful balance of product and process. Without a sound consensual process, the product will not be valued, accepted and implemented. Without a product toward which to focus, the process becomes tedious and trivial, and loses all commitment and meaning.

3.2 Strategic Planning Process

While strategic planning must carefully balance process and product, it is important to pay particular attention to the process, in order to ensure a reasonable product and organizational commitment to that product.

3.2.1 External Trends and Environmental Scanning

The strategic planning process must begin with effective, focused information gathering, both internally and externally. The internal information gathering should focus on corporate organizational values and perceptions both horizontally across functional areas and vertically throughout the chain of command or corporate structure. This includes an assessment of what the organization is and where it is currently headed. The external information gathering should focus on current trends, reasonably forecasted future possibilities, and other contingencies and uncertainties the organization will be forced to confront in the near- and long-term. This includes relationships with customers and competitors, regulators and other areas of outside control, and scientific and technological developments. Environmental scanning should not be a one-time, snapshot effort. It should be a continual or periodic function to systematically assess the future and how future developments may impact the organization.

3.2.2 Horizontal and Vertical Integration

The strategic planning process should also include extensive communication and dialogue among key decision-makers and opinion leaders from throughout the organization. This includes all hierarchical levels within the particular functional area, and also lateral communication with various levels of other functional areas. Ideally, this continuing communication translates into participation and eventual commitment to the ongoing process. Input from the lower organizational levels is essential to provide the hands-on, field perspective to organizational operations. Input from senior organizational levels is essential to express and demonstrate the senior level emphasis and commitment, in order to inspire and empower the lower organizational levels to commit themselves to the process and product. Horizontal and vertical integration also provides a framework to ensure that all operational assumptions to the strategic planning process are known by all participants.

3.2.3 Ownership and Commitment

The process should be structured such that divergent views, values, and interests are not only accepted and accommodated, but actually welcomed and encouraged. After the initial, relatively unbounded stage of information gathering and dialogue, the process should move into an assessment and articulation of vision, goals, and objectives. Because strategic planning occurs in highly politicized circumstances, an all-encompassing consensus is neither necessary nor practical. The important consideration is that issues related to organizational purpose and actions are identified and resolved to the satisfaction of all parties. This includes positional compromises, which can strengthen future buy-in and commitment.

3.2.4 Alternatives and Future Implications

A strategic planning process provides a framework to demonstrate organizational purpose, direction and commitment. Throughout the process, various alternative courses of action should be considered, since a key factor is not to find one, ultimate right path, but to develop overall organizational commitment to concepts and implementation. At several key points in the process, facilitators or leaders should assess progress and provide possible alternatives for proceeding, to continually redirect and focus responsibility and commitment to the process. This includes examining possible future implications of various courses of action.

3.2.5 Implementation

As with all exercises, the result should not be a collection of papers that sits on a shelf or is buried by other meaningless paperwork. Implementation is the key to success for any strategic planning process. Much planning literature is consumed with musings about plans which are not implemented, and systems or procedures for ensuring successful implementation.

Implementation is the eventual desired result of any plan. Implementation and realization of all goals, objectives and actions in a strategic plan should be a constant concern and emphasis throughout the process. If senior levels emphasize implementation, the opera-

tional levels will be more likely and enabled to embrace that commitment and make efforts to execute the requirements of the plan.

3.3 Strategic Plan Elements

There are several key elements necessary to any strategic plan. These include:

- External trends
- Strategy
- Vision
- Mission statement
- Strategic thrust areas
- Goals
- Objectives
- Actions.

Since strategic planning occurs in politicized circumstances in any organization, it may be necessary to modify or adjust these elements somewhat. These descriptions provide a framework to begin a specific strategic planning process in any organization.

3.3.1 External Trends

A strategic planning process must include a regular, systematic assessment of historical internal and external trends to ground the plan and the planning process in reality. The trends assessment involves taking a critical look at historical activity in several key areas. A summary of these trends and their anticipated future impact on the organization should be included in the strategic plan. This should be re-examined on a periodic basis to ensure relevance and significance. Some trend areas to examine may include:

- Organization mission and activities
- Anticipated external constraints on the organization

- Organizational culture and leadership values
- Population, family structure, and other demographics
- Economics
- Science and technology
- Regulations
- Human health and welfare
- Education
- Work force and work ethics.

3.3.2 Strategy

Strategy is the entire set of vision, goals, objectives, and actions. It begins with an enduring vision of the future, and proceeds to progressively more detailed levels of goals, objectives, and actions to allow the strategy to be realized, and make progress toward realizing the vision.

3.3.3 Vision

An organization's vision statement reflects a desired future condition. It begins to inspire, direct, and empower the people in the organization. It provides purpose and direction, and a basis for unifying the organizational behavior to achieve the desired results. Because the vision reflects a desired future condition, it is always beyond the grasp and never quite attained, but yet describes a desired future condition.

3.3.4 Mission Statement

Some strategies also include a mission statement that provides a statement of purpose and why an organization exists. The mission statement should reflect any existing organizational policy or position statements, and should provide guidelines for action that meet the primary challenges the organization will face in the future. It defines how to respond to key issues to ensure organizational effectiveness.

The mission statement describes how to attain the vision and provides the framework for developing more detailed goals and objectives.

3.3.5 Strategic Thrust Areas

Some strategic plans include an element called strategic thrust areas. These provide some visibility to particular areas of emphasis for leadership consideration and oversight. Strategic thrust areas provide strategic direction and set guidelines for action. This is particularly important in a diverse organization with several seemingly independent functions. Thrust areas provide focus and categories to numerous goals, as an organizational tool to manage a complex strategic plan.

3.3.6 Goals

A strategy's goals define major directions and focus. They provide generality and stability and set guidelines for actions. They are practical and attainable in the long-term, and give direction to further levels of detail. Generally, there are no time limits set to achieve goals.

3.3.7 Objectives

Each goal should have a number of objectives that describe incremental steps and priority issues necessary to progress toward achieving the goal. The objectives are more short-term oriented than the goals, and usually involve some kind of milestone within a specified time period.

3.3.8 Actions

The actions are the strategy's most detailed level. Actions translate broad goals and objectives into concrete tasks which can be evaluated and monitored. They include all of the projects, tasks, and actions necessary to implement and accomplish the strategy's goals and objectives and therefore make progress toward achieving the vision. Actions should include responsible parties, clearly defined timelines for completing the actions, and all estimated costs and

benefits. When this level of detail is articulated, decision-makers and senior leadership can make informed decisions regarding priorities and trade-offs.

Actions provide the means to accomplishing the end which is articulated in the vision statement. Actions also provide the mechanism to monitor implementation and control execution of the strategy and progress toward achieving the objectives and eventually the goals.

3.4 Principles for Success

Planning is the key process to properly define, articulate, and mobilize action on critical organizational tasks. There are four principles essential to successful strategic planning. First, it must define the organization, both internally and externally. Second, it must be cognizant of and responsive to external opportunities and threats, and to internal strengths and weaknesses. Third, it must provide a means for establishing the organizational purpose--in terms of long-term goals, mid-term objectives, and short-term actions--and resource allocation priorities. Finally, it must represent a coherent, unifying and integrative pattern of decisions.

4. Common Questions and Misunderstandings

4.1 What Exactly is "Strategy"?

This is a frequent question from participants in a planning process who are looking for a succinct, catchy slogan to publicize as "The Strategy." However, there is not one particular element of a strategic plan or the planning process that can be extracted and called "The Strategy." The plan may be summarized in something similar to a strategy statement, or a graphic model to easily represent and describe major plan elements. This is often a good idea, particularly if the plan is especially complex and detailed. This summary statement should not substitute for the entire plan, as the entire process and all elements of the product contribute to making up the total strategy. Each of the models described in this paper, although from different disciplines and with different emphases, defines strategy as the entire product, not one particular distinct and separable element.

4.2 Whose Plan is it?

Because a strategic plan is developed through an extensive, iterative, and consensual process, it has no distinct author or owner. There should be a core group of individuals responsible for guiding the process and ensuring the integrity of the product, but their individual personalities should not be apparent in the end product. A particular writing style may be desirable for the plan, but the core group should strive to truly integrate and reconcile the numerous concepts and contributions from throughout the organization.

The concept of a "champion," or "advocate" is useful throughout the process. As the process evolves successfully, the need for an advocate diminishes, as the organization begins to evolve and embrace the process and desired future directions as articulated in the plan. The plan should be binding on the entire organization, and all echelons of the organization should feel ownership to the goals set out in the plan, since they were involved in articulating and refining the plan's requirements.

4.3 Who is the Intended Target Audience?

There can be multiple target audiences for an organization's strategic planning process, but they must be clearly expressed to all participants throughout the process. In most cases, the primary target audience is the internal organization. The focus of the process for this audience is to demonstrate a cohesive organizational position and to provide a framework for articulating, defining, and executing a unified program. The process demonstrates senior leadership commitment to the operational levels, and provides senior leadership levels with an understanding of the scope and magnitude of efforts required to meet target expectations, goals, and objectives.

The secondary target audience is typically the organization's market area, including customers, clients, regulators, and affected public. For a government agency, this includes the public community, Congress, other government agencies, and regulators. The focus for this target audience is to demonstrate organizational initiatives that are responsive to trends and proactive in positioning the organization for continued future success.

4.4 Is Complete Consensus Necessary?

Building consensus is a popular concept in corporate and government organizations. However, most will agree that complete consensus is achievable only under the most ideal circumstances. Consensus, agreement, and concurrence are critical goals for the process design. Particular personalities or interest groups should not be allowed to advance minority agendas, but minor disagreement should also not arrest the entire process. A key role in the strategic planning process is managing the diverse opinions, expectations, and viewpoints from throughout the organization. The core group guiding the planning process must remain sensitive to the need to remain objective, the need to integrate diverse views, and the occasional need to reconcile the unreconcilable.

4.5 Is There a Beginning and an End?

Because of the amorphous and indeterminate nature of the strategic planning process, one often wonders if and when the process

will come to an end. Some elements of the process should be on going or periodic, such as external environmental scanning, internal horizontal and vertical communication, and assessing future implications. However, these do not preclude arriving at the product. A product should be an end result, and this should be achievable within at least one year after the process is initiated. The product should have an expected lifetime of no longer than 10 to 15 years, and the specific action sections should be revisited at least annually for revisions, refinement, and updating. To be most effective, this annual review should be prior to and contributory to the annual budget discussions. Continuing communications and periodic environmental scanning and forecasting should be an integral part of this revision and update.

4.6 How Does One Balance "Process" and "Product"?

It is easy to satisfy no one by attempting to establish a balance between emphasis on process and product. However, all participants must be mindful of the importance of the process *and* the need to work toward a definable end product. Those managing the planning process should be cautious to emphasize the desired end product, but also ensure that essential elements in the process are fulfilled.

4.7 Strategic Planning is too "Touchy-Feely"

The view that strategic planning is too "touchy-feely" is a common suspicion and pessimism with any strategic planning process, commonly expressed by particularly analytical or task oriented individuals. Input from these individuals is essential, and efforts must be made to integrate them into the process, petition their involvement, support, and commitment, and to ensure them that adequate progress is being made toward a tangible end product.

5. Summary and Conclusions

Planning is a complex activity designed to shape and guide what an organization is, what it does, and why. Strategic planning balances process with product to produce a lasting change in the organization. It positions the organization to balance past actions with intended future change. Strategic planning has roots in many different disciplines, including corporate planning, military science, community planning, and financial and budgeting control.

There are a number of ways for an organization to craft its own strategic planning process, drawing from each of these models to customize a process to its specific functional needs and requirements. Within these variations, there are several common elements generally required. These range from a broad, overarching vision statement of a desired future condition of the organization, to specific and detailed programs and actions for execution.

Because of the varied nature of strategic planning, there are many opportunities for skepticism and distrust of the process and the eventual product. The important thing to instill in participants is the value of both process and product, and the need for commitment from all participants. The process brings value through fundamental changes in the organizational culture resulting from increased horizontal and vertical communication, assessing potential future implications of alternative courses of action, and a unified posture for the future.

Strategic planning is an ideal mechanism to provide a unity of direction to a highly complex organization with varied functional responsibilities. Strategic planning provides a rational approach to address multi-dimensional issues, such as Army environmental management. In the final analysis, a successful strategic planning process produces changed thinking in the organization, and widespread commitment to implementing the strategic plan.

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